

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.9688	101.310	4.832
ZF	104.9219	104.295	4.715
ZN	107.1719	107.055	4.747
Blank			
2y	99.609	99.1950	4.832
5y	99.007	99.0022	4.721
10y	100.275	100.0880	4.762

*Futures use CTD for Last Yield
 **Mduration = Modified Macaulay Duration

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.620	5.380	62	0.169	DEC	White Pack
F.EDAH07	94.705	5.295	153	0.419	MAR	
F.EDAM07	94.835	5.165	244	0.668	JUN	
F.EDAU07	94.965	5.035	335	0.917	SEP	Red Pack
F.EDAZ07	95.040	4.960	426	1.166	DEC	
F.EDAH08	95.060	4.940	517	1.416	MAR	
F.EDAM08	95.045	4.955	608	1.665	JUN	Green Pack
F.EDAU08	95.020	4.980	699	1.914	SEP	
F.EDAZ08	94.990	5.010	790	2.164	DEC	
F.EDAH09	94.965	5.035	881	2.413	MAR	Green Pack
F.EDAM09	94.935	5.065	972	2.662	JUN	
F.EDAU09	94.905	5.095	1063	2.912	SEP	

How many ways can you hedge the TED? Let me count...there's lots and lots, like:

- 1 Regression
- 2 Engineered
- 3 Strip with and without Stubs
- 4 Convexity Bias
- 5 Weighted
- 6 Unweighted
and more...

Most of us are interested in the *unweighted hedge* which is simply a curve trade hedge. There are so many ways to hedge the TED trade that I can't possibly list them all.

If you email me and ask for a specific hedge, I'll get it to you.

igoulding@ghco.com

Eurodollar Color Codes for Individual Year Strips:

Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

ZT

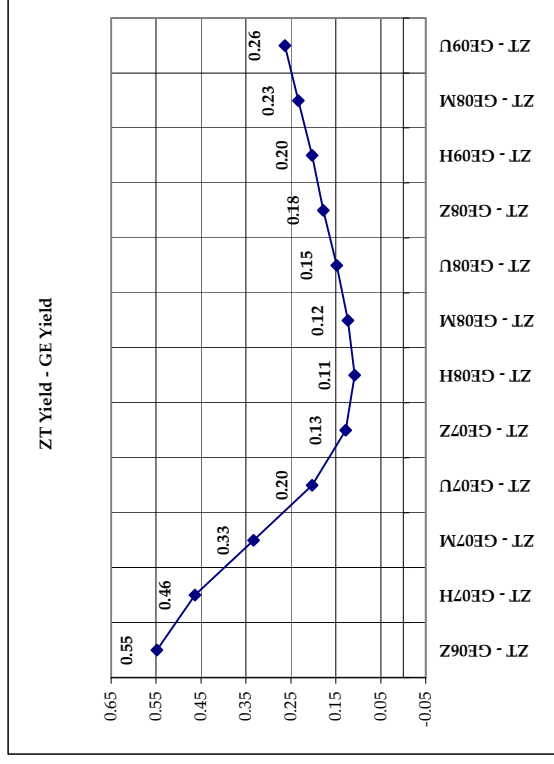
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.349	0.55	ZT - GE06Z
F.EDAH07	7.264	0.46	ZT - GE07H
F.EDAM07	7.134	0.33	ZT - GE07M
F.EDAU07	7.004	0.20	ZT - GE07U
F.EDAZ07	6.929	0.13	ZT - GE07Z
F.EDAH08	6.909	0.11	ZT - GE08H
F.EDAM08	6.924	0.12	ZT - GE08M
F.EDAU08	6.949	0.15	ZT - GE08U
F.EDAZ08	6.979	0.18	ZT - GE08Z
F.EDAH09	7.004	0.20	ZT - GE09H
F.EDAM09	7.034	0.23	ZT - GE09M
F.EDAU09	7.064	0.26	ZT - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)

GE Duration as Fraction of year	ZT		Spread Duration
	Duration	Yield	
F.EDAZ06	0.169	1.84	1.67
F.EDAH07	0.419	1.84	1.42
F.EDAM07	0.668	1.84	1.17
F.EDAU07	0.917	1.84	0.92
F.EDAZ07	1.166	1.84	0.67
F.EDAH08	1.416	1.84	0.42
F.EDAM08	1.665	1.84	0.17
F.EDAU08	1.914	1.84	(0.08)
F.EDAZ08	2.164	1.84	(0.32)
F.EDAH09	2.413	1.84	(0.57)
F.EDAM09	2.662	1.84	(0.82)
F.EDAU09	2.912	1.84	(1.07)

The farther away from 0 the spread duration is the riskier the trade.



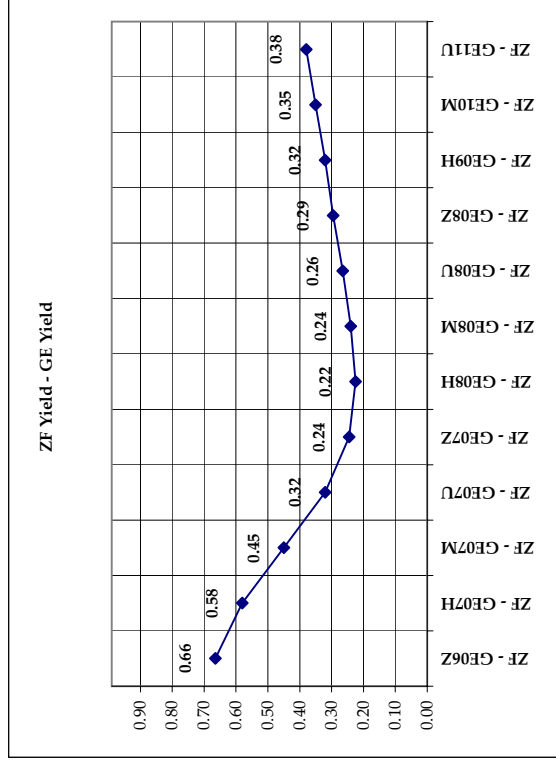
	ZF		
	Spread Price	Spread Yield	
	Price	Yield	
	Spread	Spread	
	Yield	Name	
F.EDAZ06	10.30	0.66	ZF - GE06Z
F.EDAH07	10.22	0.58	ZF - GE07H
F.EDAM07	10.09	0.45	ZF - GE07M
F.EDAU07	9.96	0.32	ZF - GE07U
F.EDAZ07	9.88	0.24	ZF - GE07Z
F.EDAH08	9.86	0.22	ZF - GE08H
F.EDAM08	9.88	0.24	ZF - GE08M
F.EDAU08	9.90	0.26	ZF - GE08U
F.EDAZ08	9.93	0.29	ZF - GE08Z
F.EDAH09	9.96	0.32	ZF - GE09H
F.EDAM09	9.99	0.35	ZF - GE10M
F.EDAU09	10.02	0.38	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)

	GE Duration as		ZF	Spread
	Fraction of year	Duration		
F.EDAZ06	0.169	3.90	3.73	ZF - GE06Z
F.EDAH07	0.419	3.90	3.48	ZF - GE07H
F.EDAM07	0.668	3.90	3.23	ZF - GE07M
F.EDAU07	0.917	3.90	2.98	ZF - GE07U
F.EDAZ07	1.166	3.90	2.73	ZF - GE07Z
F.EDAH08	1.416	3.90	2.48	ZF - GE08H
F.EDAM08	1.665	3.90	2.23	ZF - GE08M
F.EDAU08	1.914	3.90	1.98	ZF - GE08U
F.EDAZ08	2.164	3.90	1.73	ZF - GE08Z
F.EDAH09	2.413	3.90	1.48	ZF - GE09H
F.EDAM09	2.662	3.90	1.23	ZF - GE10M
F.EDAU09	2.912	3.90	0.99	ZF - GE11U

The farther away from 0 the spread duration is the riskier the trade.

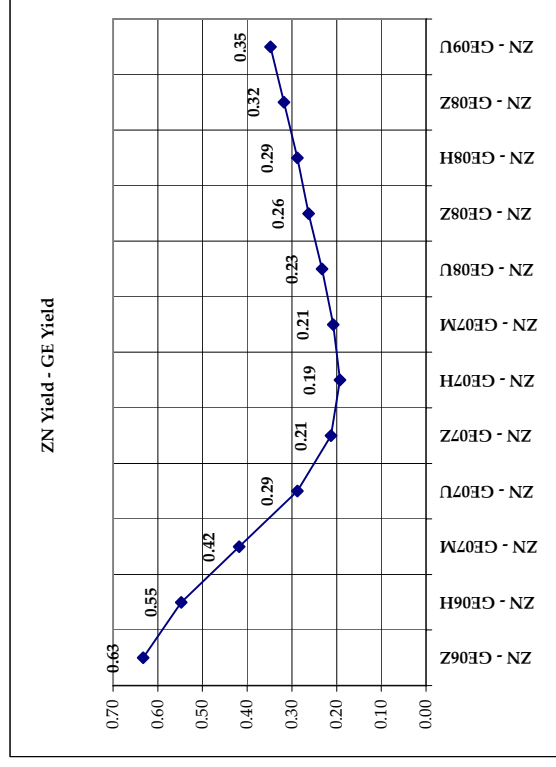


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	12.55	0.63	ZN - GE06Z
F.EDAH07	12.47	0.55	ZN - GE06H
F.EDAM07	12.34	0.42	ZN - GE07M
F.EDAU07	12.21	0.29	ZN - GE07U
F.EDAZ07	12.13	0.21	ZN - GE07Z
F.EDAH08	12.11	0.19	ZN - GE07H
F.EDAM08	12.13	0.21	ZN - GE07M
F.EDAU08	12.15	0.23	ZN - GE08U
F.EDAZ08	12.18	0.26	ZN - GE08Z
F.EDAH09	12.21	0.29	ZN - GE08H
F.EDAM09	12.24	0.32	ZN - GE08M
F.EDAU09	12.27	0.35	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)



GE Duration as Fraction of year	ZN Duration	Spread Duration
F.EDAZ06	0.169	5.63
F.EDAH07	0.419	5.38
F.EDAM07	0.668	5.13
F.EDAU07	0.917	4.88
F.EDAZ07	1.166	4.63
F.EDAH08	1.416	4.38
F.EDAM08	1.665	4.14
F.EDAU08	1.914	3.89
F.EDAZ08	2.164	3.64
F.EDAH09	2.413	3.39
F.EDAM09	2.662	3.14
F.EDAU09	2.912	2.89

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TERM TED: 2y vs Eurodollar Contracts

2y

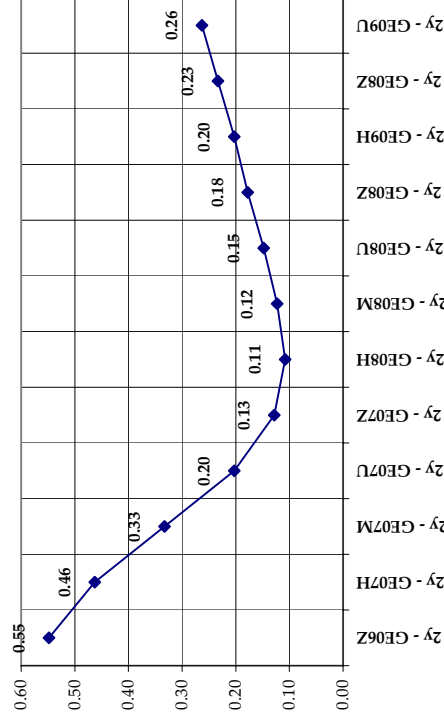
Spread Price Spread Yield Name

Contract	Spread Price	Spread Yield	Name
F.EDAZ06	4.99	0.55	2y - GE06Z
F.EDAH07	4.90	0.46	2y - GE07H
F.EDAM07	4.77	0.33	2y - GE07M
F.EDAU07	4.64	0.20	2y - GE07U
F.EDAZ07	4.57	0.13	2y - GE07Z
F.EDAH08	4.55	0.11	2y - GE08H
F.EDAM08	4.56	0.12	2y - GE08M
F.EDAU08	4.59	0.15	2y - GE08U
F.EDAZ08	4.62	0.18	2y - GE08Z
F.EDAH09	4.64	0.20	2y - GE09H
F.EDAM09	4.67	0.23	2y - GE08Z
F.EDAU09	4.70	0.26	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash Yield - Implied Euro Contract yield)

2Y Yield - GE Yield



GE Duration as Fraction of year

2Y Duration Spread Duration

Contract	GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAZ06	0.169	1.84	1.67
F.EDAH07	0.419	1.84	1.42
F.EDAM07	0.668	1.84	1.17
F.EDAU07	0.917	1.84	0.92
F.EDAZ07	1.166	1.84	0.67
F.EDAH08	1.416	1.84	0.42
F.EDAM08	1.665	1.84	0.17
F.EDAU08	1.914	1.84	(0.08)
F.EDAZ08	2.164	1.84	(0.32)
F.EDAH09	2.413	1.84	(0.57)
F.EDAM09	2.662	1.84	(0.82)
F.EDAU09	2.912	1.84	(1.07)

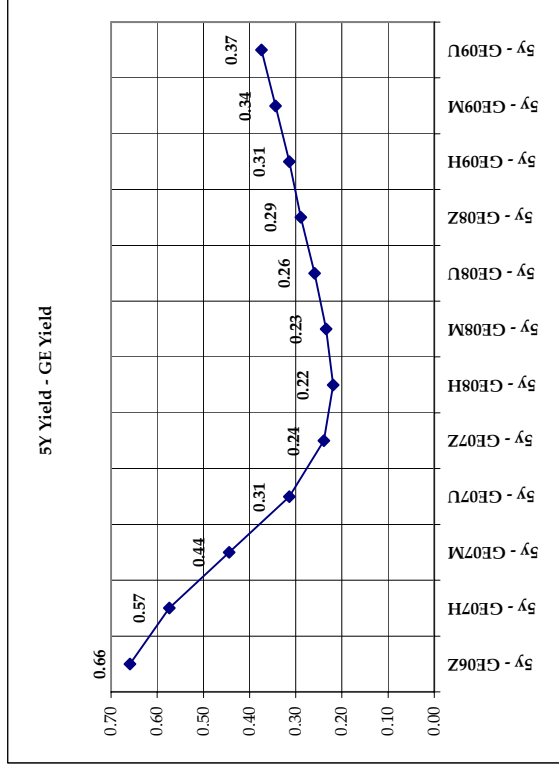
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	4.39	0.66	5y - GE06Z
F.EDAH07	4.30	0.57	5y - GE07H
F.EDAM07	4.17	0.44	5y - GE07M
F.EDAU07	4.04	0.31	5y - GE07U
F.EDAZ07	3.97	0.24	5y - GE07Z
F.EDAH08	3.95	0.22	5y - GE08H
F.EDAM08	3.96	0.23	5y - GE08M
F.EDAU08	3.99	0.26	5y - GE08U
F.EDAZ08	4.02	0.29	5y - GE08Z
F.EDAH09	4.04	0.31	5y - GE09H
F.EDAM09	4.07	0.34	5y - GE09M
F.EDAU09	4.10	0.37	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash Yield - Implied Euro Contract yield)



GE Duration as Fraction of year	5Y Duration	Spread Duration
F.EDAZ06	0.169	4.21
F.EDAH07	0.419	3.96
F.EDAM07	0.668	3.71
F.EDAU07	0.917	3.46
F.EDAZ07	1.166	3.21
F.EDAH08	1.416	2.96
F.EDAM08	1.665	2.71
F.EDAU08	1.914	2.46
F.EDAZ08	2.164	2.21
F.EDAH09	2.413	1.96
F.EDAM09	2.662	1.71
F.EDAU09	2.912	1.47

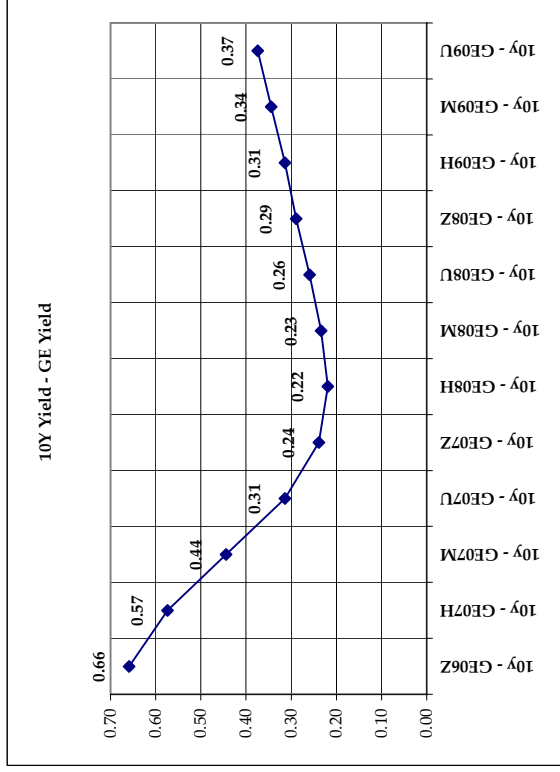
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	4.39	0.66	10y - GE06Z	
F.EDAH07	4.30	0.57	10y - GE07H	
F.EDAM07	4.17	0.44	10y - GE07M	
F.EDAU07	4.04	0.31	10y - GE07U	
F.EDAZ07	3.97	0.24	10y - GE07Z	
F.EDAH08	3.95	0.22	10y - GE08H	
F.EDAM08	3.96	0.23	10y - GE08M	
F.EDAU08	3.99	0.26	10y - GE08U	
F.EDAZ08	4.02	0.29	10y - GE08Z	
F.EDAH09	4.04	0.31	10y - GE09H	
F.EDAM09	4.07	0.34	10y - GE09M	
F.EDAU09	4.10	0.37	10y - GE09U	

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash Yield - Implied Euro Contract yield)



GE Duration as Fraction of year	10Y Duration	Spread Duration		
F.EDAZ06	0.169	7.69	7.52	10y - GE06Z
F.EDAH07	0.419	7.69	7.27	10y - GE07H
F.EDAM07	0.668	7.69	7.02	10y - GE07M
F.EDAU07	0.917	7.69	6.77	10y - GE07U
F.EDAZ07	1.166	7.69	6.52	10y - GE07Z
F.EDAH08	1.416	7.69	6.27	10y - GE08H
F.EDAM08	1.665	7.69	6.02	10y - GE08M
F.EDAU08	1.914	7.69	5.77	10y - GE08U
F.EDAZ08	2.164	7.69	5.52	10y - GE08Z
F.EDAH09	2.413	7.69	5.27	10y - GE09H
F.EDAM09	2.662	7.69	5.02	10y - GE09M
F.EDAU09	2.912	7.69	4.77	10y - GE09U

The farther away from 0 the spread duration is the riskier the trade.